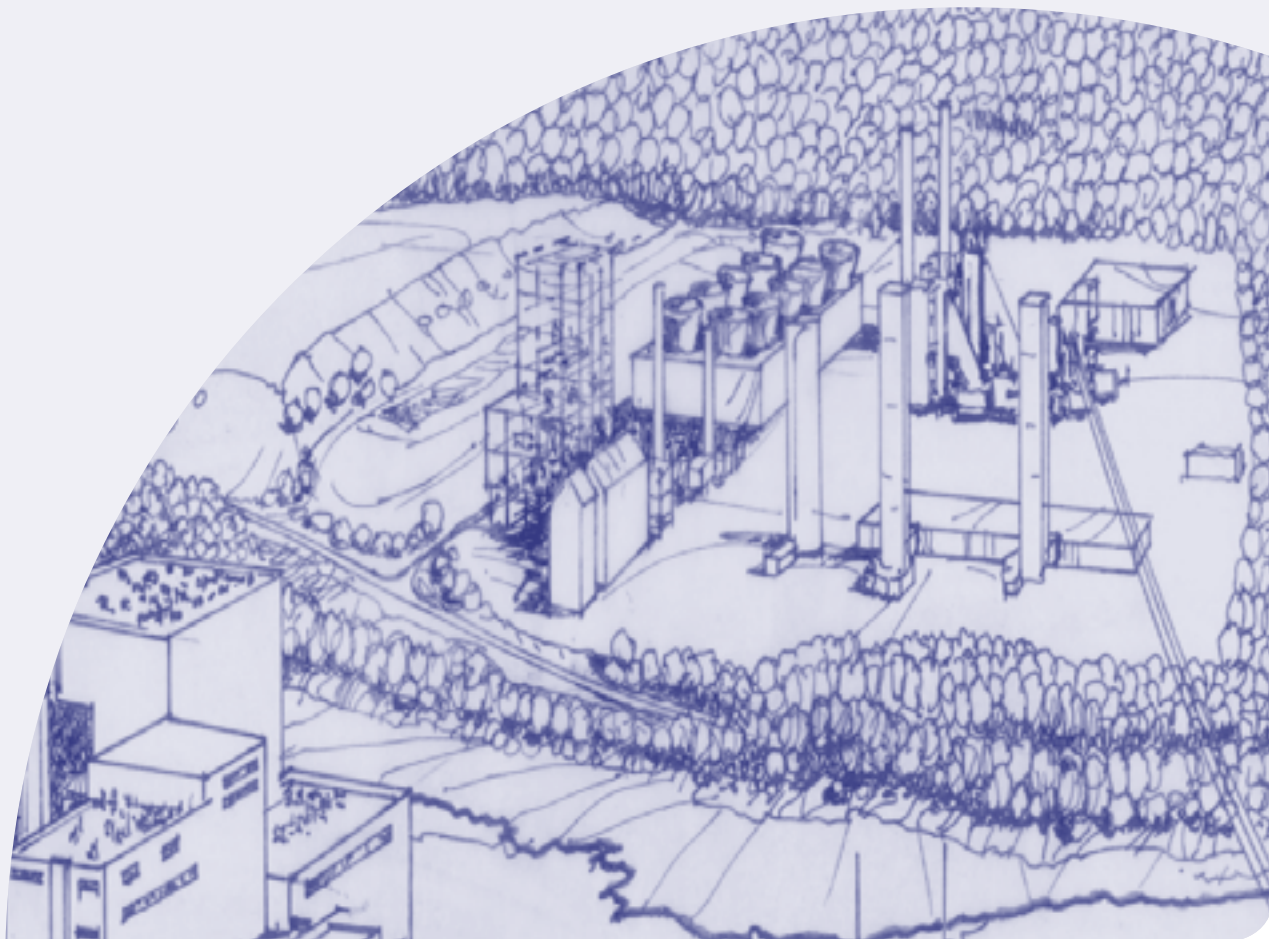




Powering Delaware with NRG

CLEAR STRATEGIES. REAL ASSETS.





An Open Letter from: Curtis Morgan

PRESIDENT, NRG NORTHEAST REGION

As one of the leading electricity generators in Delaware, NRG Energy is pleased to offer our proposal for the redevelopment of the Indian River Generating Station. We call it **Powering Delaware with NRG**.

Delaware consumers demand and deserve electricity that is reliable, affordable and respectful of the environment. In order to meet these needs, Delaware will be required to upgrade and grow its energy infrastructure – both transmission and generation. As the State faces tightening energy supplies and environmental standards and a need to diversify its fuel mix, now is the time to focus on meeting the future electricity needs of Delaware.

Our **Powering Delaware with NRG** plan is designed to modernize, upgrade and grow our generating fleet. It will provide significant benefits to Delaware ratepayers by offering enhanced reliability and energy price stability through a more environmentally friendly generation mix.

- **Reliability** - Powering Delaware with NRG adds 630MW of new generation to our existing assets
- **Rate Stability** - Powering Delaware with NRG adds new gasified coal generation to minimize electric rate increases due to natural gas and oil price increases
- **Environmental Benefits** - Powering Delaware with NRG provides significant environmental improvements while advancing energy efficiency through the use of state-of-the-art technology, including equipment that can capture CO₂
- **Economic Benefits** - Powering Delaware with NRG brings private investment and hundreds of jobs to Delaware

Delaware faces significant challenges to meet its energy infrastructure needs and maintain a growing economy. NRG stands ready to help the State of Delaware meet those challenges.

A handwritten signature in black ink that reads "Curtis G. Morgan". The signature is written in a cursive, flowing style.



The Story on the Ground

Recent developments within the Energy and Environmental sectors pose significant challenges to the State of Delaware which affect the reliability, price stability, and environmental impact of its future energy supply:



RELIABILITY

- Delaware is seeing unprecedented population growth – 17.6% average with 38% growth in Sussex County
- Pennsylvania-New Jersey-Maryland Interconnection (PJM) peak summer use is expected to grow at 1.6% as a whole while Delaware summer peak is expected to grow by 2% each year
- Delmarva Power's normal summer use is expected to grow from 4,070MW to 4,313MW by 2010 and 4,729MW by 2015
- Industry experts estimate shortfall in capacity beginning in 2008 in Delaware and across all of PJM, impacting Delaware's import capabilities
- Delaware, a power importer, needs to add new generation in order to ensure an adequate power supply for the future
- There are currently only 3 projects in the PJM queue for new capacity in Delaware for a total of 8MW



PRICE STABILITY

- Delmarva Power retail customer rates were increased by 59% effective 5/1/06
- Natural gas prices remain high and continue to drive electric wholesale costs
- Adequate supply and fuel diversity are key to stabilizing electricity prices



ENVIRONMENTAL IMPACT

- Clean Air Interstate Rule (CAIR) – was issued by EPA in March 2005. It contains an annual SO₂ cap-and-trade program, as well as an annual and Ozone Season NO_x cap-and-trade program, dependent on a state's contribution to downwind fine particulate matter and Ozone concentrations
- Clean Air Mercury Rule (CAMR) – was issued by EPA in March 2005. It is a mercury cap-and-trade program affecting new and existing coal fired units greater than 25MW. Phase I starts in 2010 and has a national cap of 38 tons per year (TPY); Phase II starts in 2018 and has a national cap of 15 TPY

- Delaware Department of Natural Resources & Environmental Control (DNREC) is currently in the process of developing new multi-pollutant regulations for reducing emissions from Delaware power plants
- As a signatory to the Regional Greenhouse Gas Initiative (RGGI), Delaware carbon dioxide (CO₂) emissions from power plants will be capped beginning in 2009. Delaware should support and embrace new generating technologies that will further advance the capture of CO₂ emissions

All of the above factors have a significant impact on the future of Delaware's energy supply policy. In response to these drivers, NRG Energy has developed this comprehensive redevelopment plan for the Indian River facility that addresses each of these major issues – reliability, price stability, and environmental impact.



Plan Overview

Powering Delaware with NRG will dramatically change the generation supply profile in the State. The plan offers the State of Delaware the opportunity to create more reliable sources of electricity in Delaware, while helping to stabilize escalating electricity costs and continuing to improve the environment.

SUMMARY

- Adds 630MW of highly efficient, baseload generation
 - Net increase in capacity 630MW
 - Technology: Integrated Gasification Combined Cycle (IGCC)
- Significantly reduces overall emission of sulfur dioxide (SO₂) and nitrogen oxides (NO_x) emissions across the fleet
 - Up to 90% reduction in overall SO₂ emissions rates
 - Up to 80% reduction in overall NO_x emissions rates
 - Up to 75% reduction in overall mercury emissions rates

LOCATION	EXISTING MW	NEW IGCC MW	TOTAL MW	NET +/- MW
INDIAN RIVER	737	630	1,367	630

PLAN SPECIFICS

INDIAN RIVER STATION

- Construction of a new, baseload, gasified coal facility with the ability to capture carbon dioxide (CO₂)
 - This new plant will assist Delaware in becoming less reliant on natural gas, contribute much-needed baseload generation to stabilize electricity prices and reduce overall emissions rates
- Installation of emissions controls on existing generating units
 - SO₂ Controls
 - In-Duct Injection
 - Wet Scrubber
 - NO_x Controls
 - Low NO_x Burners
 - Selective Non-Catalytic Reduction (SNCR)
 - Selective Catalytic Reduction (SCR)
 - Mercury Reduction
 - Fabric Filters/Activated Carbon Injection
 - SCR/Wet Scrubber

PLAN REQUIREMENTS

One of the key parts of this redevelopment plan is the construction of a new 630MW IGCC plant at Indian River. In order to finance this coal gasification project, NRG will need to secure a long-term contract for the output of the plant. NRG has taken an active role by working with the State of Delaware in an effort to develop a mechanism that will allow this to occur. This step is critical to the overall success of our redevelopment plan, which will not be possible without a long-term contract in place.



Environmental Overview

Our redevelopment projects, which include both gasified coal technology for new generation and back-end controls for the existing units, will result in significantly reduced emissions rates for the Indian River facility.

The emissions rates from an IGCC plant are significantly below those of a pulverized coal (PC) plant and are more comparable to natural gas fired generation. The ability to capture emissions on a pre-combustion basis makes it less costly for an IGCC plant to capture a greater amount of emissions than a traditional PC plant. The reason for this is that emissions are much more highly concentrated in their elemental forms before combustion than they are after combustion.

IGCC plants are superior to traditional PC plants with full back-end controls and are comparable to natural gas combined cycle plants in reducing sulfur and nitrogen oxide. In addition, IGCC offers the opportunity to re-sell some of the elemental byproducts of gasification. For example, approximately 99% of the sulfur in the fuel used in IGCC is converted to hydrogen sulfide (H_2S), which can be removed pre-combustion and made commercially saleable, whereas in a PC plant under a post-combustion process, the sulfur is converted to sulfur dioxide (SO_2) and sulfur trioxide (SO_3) (contributors to acid rain).

Nitrogen oxides (NO_x) from an IGCC plant are at very low levels – comparable to natural gas fired plants – due to the fact that IGCC uses the same combustion process for creating the electricity.

The big distinction between IGCC technology and PC or natural gas-fired plants comes in the ability of IGCC technology to remove mercury (Hg) and, with further equipment, CO_2 . Currently there is no proven commercial scale technology for PC plants that can remove Hg at the same levels or cost as an IGCC plant. Further, there is no commercial technology today for the capture and sequestration of CO_2 from the flue gases of a PC or natural gas-fired plant. An IGCC plant can be configured to capture CO_2 before the synthetic gas is combusted. This may be a critical feature as both regional and federal initiatives are underway to cap or reduce net CO_2 emissions.

IGCC PLANT EMISSIONS

- SO₂ 0.04 lbs/mmBtu
- NO_x 0.03 lbs/mmBtu
- Mercury 90+ % reduction
- CO₂ Installed with equipment that will enable the capture of approximately 66% of the CO₂ and be comparable to a natural gas combined cycle plant

OVERALL EMISSIONS RATE REDUCTIONS

The expected emissions reductions will vary depending on which technology is installed. However, the expected overall reductions in emissions rates when compared to the existing permitted levels that are achieved by this redevelopment plan (including the IGCC and emissions controls projects) are shown below:

- SO₂ 90% reduction
- NO_x 80% reduction
- Mercury 75% reduction

These reductions exceed new federal standards defined in EPA's Clean Air Interstate Rule (CAIR) and Clean Air Mercury Rule (CAMR) and are comparable to Delaware's conceptual rule.



What this Means for Delaware

The successful implementation of **Powering Delaware with NRG** provides for long-term benefits to both the State of Delaware and the Delmarva Peninsula. These benefits can be placed in the following categories:



RELIABILITY - POWERING HOMES AND BUSINESSES

- Retention of existing units provides for continued reliable electricity supply
- Installation of IGCC increases the local generating capacity by 630MW and allows for added load growth



PRICE STABILITY - POWERING THE ECONOMY

- Redevelopment plan is based on continued use of lower cost coal as the primary fuel source
- Allows for continued fuel diversity within Delaware and avoids over reliance on natural gas
- Long-term contracts result in much-desired rate stability for Delaware consumers



ENVIRONMENTALLY RESPONSIBLE

- IGCC emissions are comparable to a natural gas combined cycle power plant – IGCC is the right technology at the right time in Delaware
- IGCC is able to capture CO₂
- Emissions on existing units are significantly reduced
- Overall emissions rates will be significantly reduced for the entire site and exceed Clean Air Interstate Rule and Clean Air Mercury Rule requirements that are needed to meet Delaware's eventual regulations



ECONOMIC BENEFITS FOR DELAWARE

- Indian River Generating Station currently employs 170 full-time employees from the local area
- IGCC construction would bring approximately 400-1,000 additional jobs during the construction period
- IGCC facility would add an additional 85-100 permanent full-time jobs
- IGCC is economically beneficial to the State, as a capital investment of approximately \$1.4 - \$1.6 billion will be invested in Delaware
- Emissions reduction projects investments are approximately \$330 million



Powering Delaware with NRG Timeline

11.2005

NRG announces interest in developing gasified coal in Delaware

5.2006

NRG files interconnection studies for Indian River

6.2006

NRG announces specifics of redevelopment plan for Delaware

7.2006

Permitting processes begin at Department of Natural Resources & Environmental Control

11.2006

Requests for proposals for new generation issued

12.2006

Proposals for new generation in response to RFP due

2.2007

RFP evaluation
complete;
contract
awarded

2007

Construction
begins on
emissions
controls
projects

2008

Permits
awarded for
Indian River
IGCC plant

2008

Construction
begins on
Indian River
IGCC plant

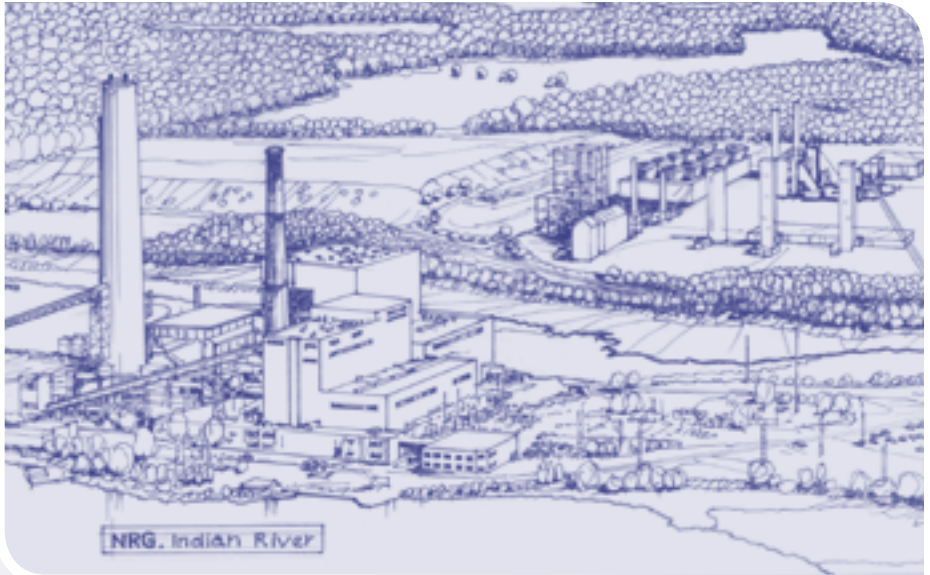
2011

Emissions
controls
projects
completed

2011-12

Commercial
operation of
Indian River
IGCC plant

Indian River
IGCC, 630MW



EXISTING PLANT

FUEL TYPE(s):

Coal

DISPATCH LEVEL(S)

Load Following

UNIT	DATE	SIZE
Unit 1	1957	80MW
Unit 2	1959	80MW
Unit 3	1970	150MW
Unit 4	1980	410MW
Unit 10	1967	17MW
Total		737MW

STAFFING

Current: 170

PROPOSED PLANT

FUEL TYPE(s):

Coal, pet coke, biomass

DISPATCH LEVEL(S)

Load Following/Baseload

UNIT	DATE	SIZE:
Unit 1	1957	80MW
Unit 2	1959	80MW
Unit 3	1970	150MW
Unit 4	1980	410MW
Unit 10	1967	17MW
IGCC	2012	630MW
Total		1,367MW

STAFFING

Permanent: 255 – 270

Construction: 400 – 1,000

CAPITAL COST

IGCC - \$1.4- \$1.6 billion

Emissions Controls - \$330 million

Indian River

PLANT DESCRIPTION

The Indian River Station provides low-cost, baseload generation to the Delmarva Peninsula, and is located near Millsboro, DE on a 1,100 acre site. The station consists of four coal-fired generating units and one oil-fired combustion turbine with a combined output of 737MW. Indian River's power is currently sold into the Pennsylvania-New Jersey-Maryland Interconnection (PJM).

INDIAN RIVER REDEVELOPMENT PLAN

The Indian River redevelopment plan is a two-part plan. The first part includes the construction of a 630MW gasified coal plant on the existing Indian River plant site. This plant would utilize Integrated Gasification Combined Cycle (IGCC) technology. The second part includes installation of major environmental controls on the existing generating units.

GASIFIED COAL TECHNOLOGY

The proposed IGCC facility at Indian River will provide a total generating capacity of approximately 630MW. This additional generating capacity that is provided by the IGCC will ensure continued reliable, low-cost, and environmentally responsible electricity to the State of Delaware and the region. It will be located adjacent to the existing facility and consist of gasification equipment, gas cleanup equipment, and combined cycle generation equipment. By being located at an existing facility such as Indian River, many benefits can be achieved by utilizing existing plant infrastructure such as rail, coal handling, water, and transmission facilities, building on an existing industrial site (brownfield), and at the same time capitalizing on our experienced skilled workforce. The current schedule for this project includes an in-service date of 2012.

EMISSIONS CONTROLS - EXISTING FACILITIES

The second part of the redevelopment plan consists of the installation of major emissions control equipment on the existing coal-fired generating units. The planned emissions controls projects will provide significant reductions in SO₂, NO_x, and mercury emissions. These projects will employ a number of technologies that are designed to provide emissions reductions and are consistent with current state-of-the-art pollution control technologies. The estimated cost for these projects is approximately \$330 million. Details on these projects follow:

SO₂ CONTROLS

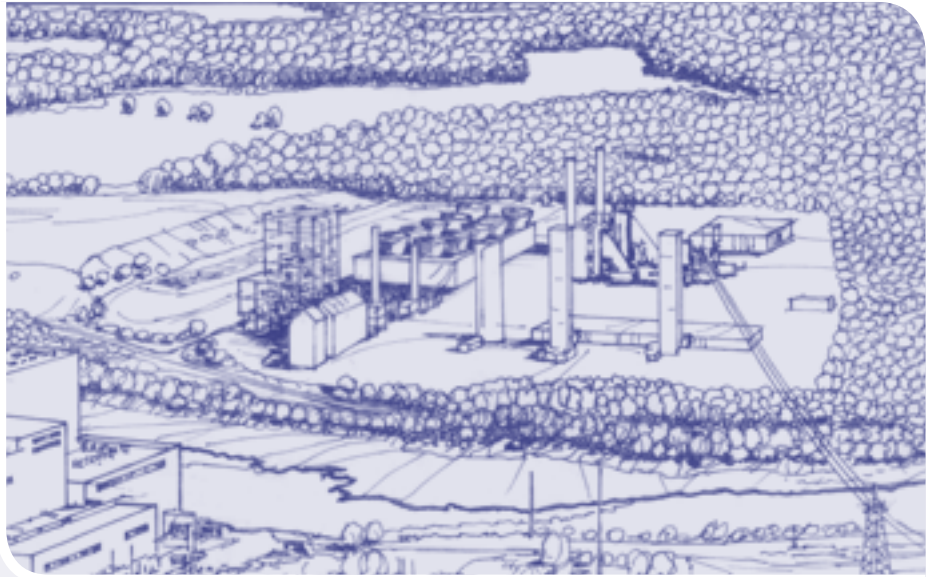
UNIT	DESCRIPTION	IN-SERVICE
Unit 1	In-Duct Injection	2009
Unit 2	In-Duct Injection	2009
Unit 3	In-Duct Injection	2009
Unit 4	Wet Scrubber	2011

NO_x CONTROLS

UNIT	DESCRIPTION	IN-SERVICE
Unit 1	Low NO _x Burners Selective Non-Catalytic Reduction (SNCR)	2009
Unit 2	Low NO _x Burners Selective Non-Catalytic Reduction (SNCR)	2009
Unit 3	Low NO _x Burners Selective Non-Catalytic Reduction (SNCR)	2009
Unit 4	Low NO _x Burners Selective Catalytic Reduction (SCR)	2011

MERCURY CONTROLS

UNIT	DESCRIPTION	IN-SERVICE
Unit 1	Fabric Filter/Activated Carbon Injection	2009
Unit 2	Fabric Filter/Activated Carbon Injection	2009
Unit 3	Fabric Filter/Activated Carbon Injection	2009
Unit 4	Wet Scrubber/SCR	2011



Gasified Coal Technology

PROPOSED PLANT

TECHNOLOGY

Integrated Gasification Combined Cycle (IGCC)

FUEL TYPE

Domestic coal
Ability to utilize biomass as well as traditional fuels

DISPATCH LEVEL

Baseload

UNIT SIZE

Total Size: 630MW

STAFFING

85-100 Employees
400-1,000 Construction Jobs

CAPITAL COST

\$1.4 - \$1.6 billion

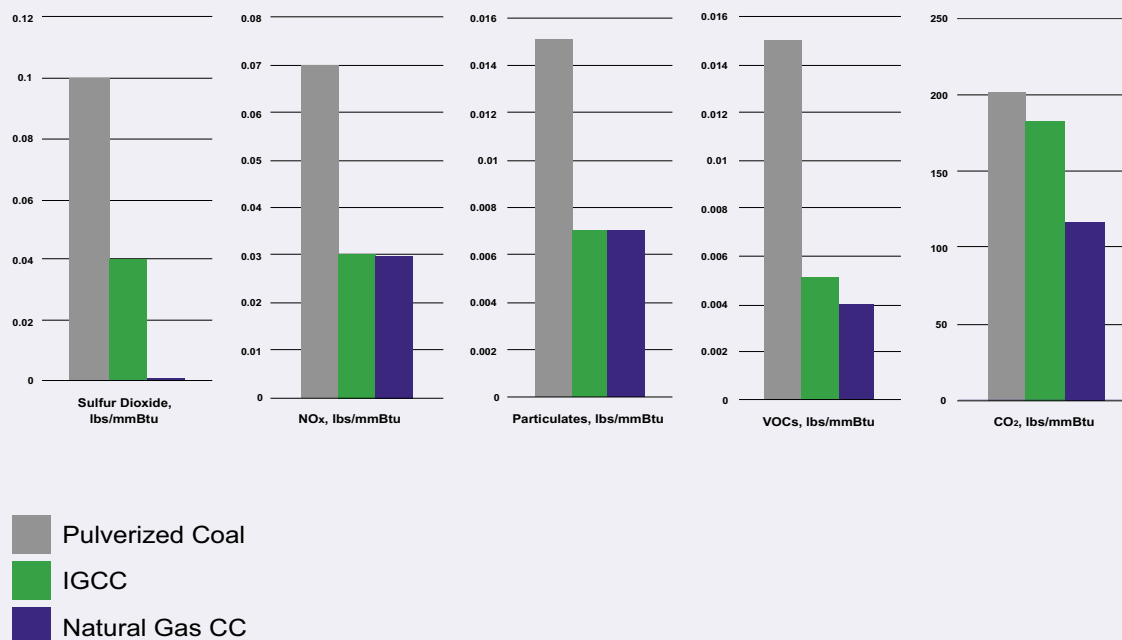
GASIFIED COAL TECHNOLOGY

Gasified coal typically refers to the process of: (1) converting coal to a synthetic gas, (2) removing the pollutants (sulfur, mercury and CO₂) from the synthetic gas before combustion, and (3) then combusting the cleaned synthetic gas as part of a combined cycle gas plant.

The process of gasifying coal is not new. This technology has existed since the 19th century. What is new is cleaning the synthetic gas and marrying the gasification process to a commercial scale combined cycle natural gas plant to generate electricity—hence the name “Integrated Gasification Combined Cycle” or “IGCC.” There are two operating IGCC facilities in the United States that produce electricity as their primary output and there are approximately 18 IGCC power plants outside of the U.S.

IGCC technology is highly attractive for its potential to provide reliable baseload service from abundant domestic fuel supplies, largely free of the price volatility of natural gas supplies.

IGCC generates low emissions and is comparable to natural gas-fired generation. Moreover, IGCC offers the advantage of the technical capability to capture CO₂ when sequestration technologies become available.

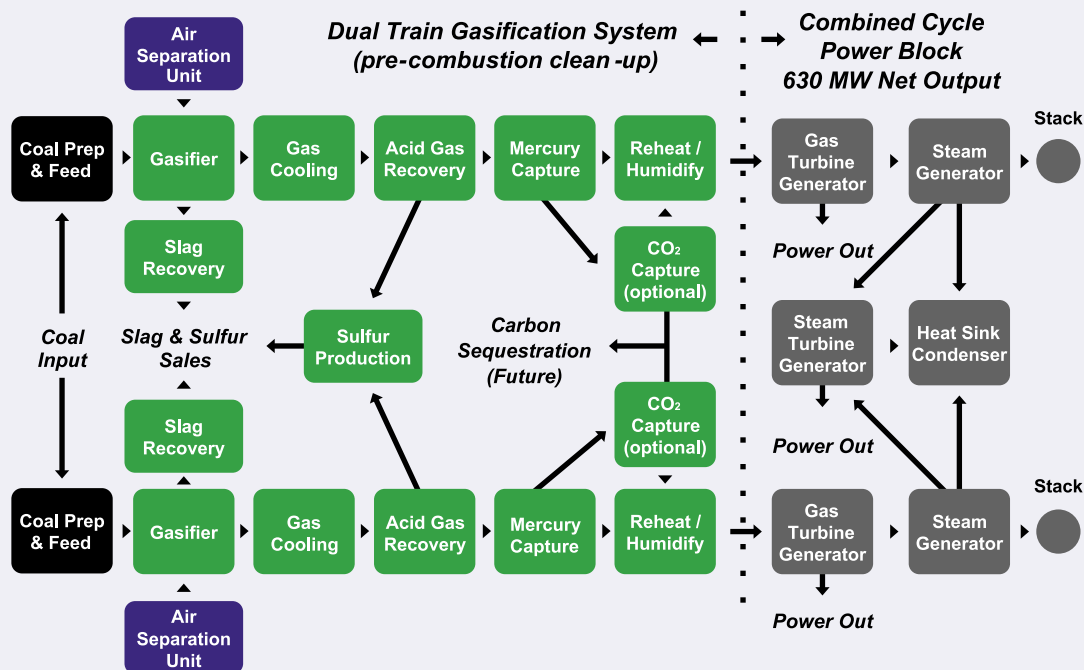


IGCC PROCESS FLOW

The differences in IGCC as compared to traditional pulverized coal (PC) plants center around fuel input and combustion. In a PC plant, the coal is pulverized into a fine dust then blown into a combustion chamber within the boiler and burned. The boiler is lined with water-filled tubes that, when heated to very high temperatures, physically convert the water in the tubes to steam. This steam is fed into a steam turbine, which turns a shaft in a generator and creates electricity. Before release into the atmosphere, some PC plants employ back-end controls to rid the exhaust gases of much of their SO₂ (acid rain causing) and NO_x (ozone eroding) content.

In an IGCC plant, the same coal is pulverized, combined with pure oxygen and fed into a gasifier, where it is only partially combusted. It is this partial combustion process that is the key difference in the input stage of the IGCC power plant. The partially combusted coal is chemically changed into pure hydrogen and carbon monoxide. This new gas is known as synthetic gas. The synthetic gas is cleaned of a significant majority of emissions (sulfur, mercury and potentially CO₂) before it is burned and fed directly into a combined cycle power plant.

The ability to capture emissions on a pre-combustion basis makes it less costly for an IGCC plant to capture a greater amount of emissions than a traditional PC plant. The reason for this is that emissions are much more highly concentrated in their elemental forms before combustion than they are after combustion.



SULFUR AND NITROGEN OXIDES

IGCC offers the opportunity to re-sell some of the elemental byproducts of gasification. For example, nearly 99% of the sulfur in the fuel used in IGCC is converted to hydrogen sulfide (H_2S), which can be removed pre-combustion and made commercially saleable, whereas in a PC plant under a post-combustion process the sulfur is converted to sulfur dioxide (SO_2) and sulfur trioxide (SO_3) (contributors to acid rain).

Nitrogen oxides (NO_x) from an IGCC plant are at very low levels – comparable to natural gas-fired plants – due to the fact that IGCC uses the same combustion process as the natural gas plant to generate electricity.

CARBON DIOXIDE AND MERCURY

The big distinction between IGCC technology and PC or natural gas fired plants comes in the ability of IGCC technology to remove mercury (Hg) and, with further equipment, CO_2 . There currently is no proven commercial scale technology for PC that can remove Hg at the same levels as IGCC. There is no commercial technology today for the capture and sequestration of CO_2 from the flue gases of a PC or natural gas-fired plant. An IGCC plant can be configured to capture CO_2 before the synthetic gas is combusted. There remains considerable research ahead to be able to effectively sequester CO_2 .



NRG Energy

NRG POWER GENERATION

- Ownership interest in 59 power generating facilities
- 24,764MW net ownership
- Projects located in United States, Australia, Germany and Brazil

LOCATIONS

TOTAL NET MW

North America – Texas	10,757
North America – Northeast	7,099
North America – South Central	2,395
North America – Western	1,948
North America – Other	649
Total North America	22,848
Australia	1,305
Europe	455
Latin America	156
Total International	1,916
Total	24,764

The megawatt figures provided represent nominal summer net megawatt capacity of power generated as adjusted for the combined Company's ownership position excluding capacity from inactive or mothballed units.

NRG Energy, Inc., a competitive energy provider, has a diversified generation portfolio, distinguished by its range in geography, fuel source and dispatch level. NRG's global portfolio of projects totals approximately 25,000 net MW.

Founded in 1989, NRG is a wholesale power generation company, primarily engaged in the ownership and operation of power generation facilities and the sale of energy, capacity and related products in the United States and internationally. We have a diverse portfolio of electric generation facilities in terms of geography, fuel type and dispatch levels, which helps us mitigate risk.

Operations include competitive energy production and cogeneration facilities, power marketing, district heating and cooling production, thermal energy production and resource recovery facilities. NRG's portfolio of projects is primarily in North America but also in Europe, Australia and Latin America. Our projects use a wide array of fuel sources including fossil fuels (natural gas, oil, coal and nuclear) and refuse-derived fuels.

NRG also has a diverse portfolio in terms of dispatch type. We have a variety of baseload, intermediate and peaking units to create a balanced portfolio. NRG's baseload units run most often and provide power to meet day-to-day needs, while our intermediate and peaking units are dispatched during periods of higher demand.



POWERING DELAWARE WITH NRG

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